



Sansiri PCL

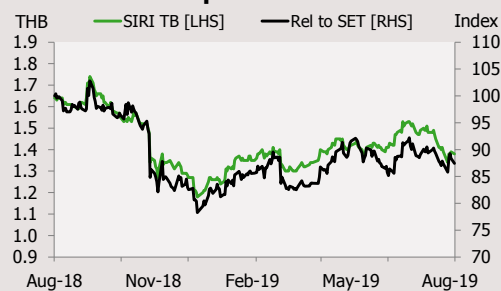
SIRI TB Neutral

Target Price	Bt	1.25
Close Price (19/08/2019)	Bt	1.38
Downside	%	9.42
Valuation	PER	
Sector	Property Development	
Market Cap	Btm	20,511
30-day avg turnover	Btm	39.92
No. of shares on issue	m	14,863
CG Scoring	Very Good	
Anti-Corruption Indicator	Certified	

Investment fundamentals

Year end Dec 31	2018A	2019E	2020E	2021E
Company Financials				
Revenue (Btmn)	26,246	25,607	28,910	33,242
Core profit (Btmn)	2,271	2,297	2,504	2,689
Net profit (Btmn)	2,046	2,085	2,376	2,634
Net EPS (Bt)	0.14	0.14	0.16	0.18
DPS (Bt)	0.12	0.12	0.12	0.12
BVPS (Bt)	2.13	2.12	2.16	2.21
Net EPS growth (%)	-25.61	-0.79	13.95	10.87
ROA (%)	2.32	2.11	2.29	2.43
ROE (%)	6.62	6.69	7.47	8.11
Net D/E (x)	1.36	1.84	1.84	1.88
Valuation				
P/E (x)	8.35	9.84	8.63	7.79
P/BV (x)	0.55	0.65	0.64	0.62
EV/EBITDA (x)	18.33	24.43	22.93	20.51
Dividend yield (%)	10.17	8.74	8.73	8.70

SIRI TB rel SET performance



Source: Bloomberg

(all figures in THB unless noted)

Analyst

Sorapong Jakteerungkul

Sorapong.j@kasikornsecurities.com

20 August 2019

Kasikorn Securities Public Company Limited

4Q19 rights transfers to be key as debt rises

We maintain our Neutral rating on SIRI despite cutting our TP to Bt1.25 from Bt1.38 following our earnings downgrade. Unfavorable market conditions have forced SIRI to cut its 2019 new-launch and presales targets by 20% and 17% to Bt37.1bn and Bt30.0bn respectively. While SIRI has kept its 2019 sales revenue target at Bt22.0bn, thanks to faster-than-expected construction progress at many condominium projects, this development coupled with the lower 2019 new-launch target will actually hurt its medium-term revenue outlook. In the short term, the level of rights transfers from backlog in 4Q19 will be a very important factor to monitor. In addition to driving its 2019 earnings, it will help SIRI to reduce its net IBDE, which rose to 1.8x in 2Q19 -- its highest level since 3Q14. Asset monetization is another option being studied to boost cash inflow.

Investment highlights

► **2019-21E earnings revision.** We revise down our 2019-21 earnings forecasts for SIRI by 5%/9%/16% respectively to reflect our cuts to sales revenue in those years of 6-12%. This follows SIRI's decision to delay its launch plan and weak 1H19 presales. Also, we cut equity income in 2020-21 after the company was able to speed up construction at many condominium projects so they will be ready to transfer in 4Q19 and 4Q20 instead of 1Q20 and 1Q21. We also include a larger loss assumption from its investment in The Standard. Our forecasts for 2019-21 EPS growth are thus slashed to -1%/+14%/+11% from our previous numbers of +5%/+19%/+20%.

► **Heavy rights transfer schedule planned for 4Q19.** While its 2Q19 results were hurt by a combination of the new LTV measures, low new-launch value and a lack of newly completed condominium projects, and with this soft operating performance likely to continue into 3Q19, planned revenue from condominium backlog (Bt3.0bn of SIRI and BtBt8.9bn of SIRI-JV), low-rise backlog of Bt5.3bn and 2H19 new projects (10 low-rise plus 6 condos worth Bt24bn, up sharply from 6 low-rise plus 2 condos valued at Bt14.1bn in 1H19) will allow SIRI to post very solid 4Q19 earnings, which we see accounting for 50% of 2019 earnings.

► **Balance sheet bears higher risk.** Due to the rapid construction progress at many condominium projects, more investment in its hotel operator asset, The Standard International Holding, LLC (to 59.02% from 37.26%), and a transaction through which it bought some condominium units from its JV (the majority of The Monument Thonglor project), SIRI's 2Q19 net IBDE ratio surged to 1.8x, its highest level since 3Q14. Although the delayed launch schedule will help reduce the pressure on its financial status, the success of rights transfers in 4Q19 will be the most important factor in relaxing its financial risk, in our view.

► **Asset monetization under consideration.** SIRI is studying setting up a new REIT in order to sell completed but not yet transferred housing units (mostly condos) to raise short-term cash inflow. Then SIRI as a property manager will rent out these housing units to generate returns to the REIT's unit-holders. The Monument Thonglor, which SIRI bought from a JV in 2Q19, will be a key focus of this study. In the event SIRI decides to set up the REIT, other housing units will be sold at the same time. The fund size is initially expected to be Bt3.0bn. This kind of transaction would also allow SIRI to gain from these assets over the long term, similar to its establishment of Baan Sansiri Property Fund (SIRIPF TB, delisted), which was set up in 2005 to buy 25 SDH units of the Baan Sansiri Sukhumvit 67 project and which generated a gain for the fund when SIRI bought them back in 2010.

Valuation

► We cut our TP on SIRI to Bt1.25 from Bt1.38 despite rolling over our target base to mid-2020 from end-2019. This is to reflect our earnings revision and de-rating of the PER used to value the stock to -1SDV (7.2x) from -0.5SDV (7.6x).

► Due to the unexciting earnings outlook, SIRI's high DY return of 8.7% is the only key factor supporting our Neutral rating on the stock. However, SIRI may not be able to continue to pay such a high dividend if its 2019-21 EPS comes in close to or below Bt0.12 (net profit of Bt1.7bn).



Fig. 1 2019 business targets revised down



Source: Company data and KS Research

Fig. 2 2019-21E earnings revision

Unit: Btmn. Profit and loss statement	2019E			2020E			2021E		
	New	Previous	% change	New	Previous	% change	New	Previous	% change
Sales revenue	19,043	21,338	-11%	21,968	23,286	-6%	26,065	29,628	-12%
Service revenue	6,564	6,771	-3%	6,943	6,970	0%	7,178	7,206	0%
Total revenue	25,607	28,109	-9%	28,910	30,255	-4%	33,242	36,835	-10%
Cost of sales	13,310	14,977	-11%	15,409	16,329	-6%	18,258	20,747	-12%
Cost of services	5,097	5,469	-7%	5,593	5,590	0%	5,745	5,743	0%
Gross profit	7,201	7,663	-6%	7,909	8,336	-5%	9,239	10,345	-11%
SG&A	5,308	5,417	-2%	5,878	6,054	-3%	6,701	7,012	-4%
Operating profit	2,848	2,990	-5%	3,089	3,103	0%	3,643	4,173	-13%
EBITDA	3,214	3,305	-3%	3,468	3,420	1%	4,016	4,484	-10%
Equity income	657	587	12%	759	959	-21%	521	610	-15%
EBIT	3,294	3,545	-7%	3,720	4,062	-8%	4,109	4,783	-14%
Interest expense	701	751	-7%	732	773	-5%	795	841	-6%
EBT	2,593	2,794	-7%	2,989	3,289	-9%	3,314	3,942	-16%
Tax expense	509	595	-14%	613	675	-9%	680	809	-16%
Net Profit	2,085	2,199	-5%	2,376	2,614	-9%	2,634	3,133	-16%
Extra-ordinary items	-212	-33	540%	-128	0	n.m.	-55	0	n.m.
Core profit	2,297	2,232	3%	2,504	2,614	-4%	2,689	3,133	-14%
Key assumptions									
New launch (Btmn.)	37,146	46,533	-20%	41,583	48,675	-15%	49,583	52,675	-6%
Pre-sales	29,057	34,324	-15%	35,163	42,203	-17%	42,877	51,527	-17%
Revenue growth (%) *	-2.4	7.1	-9.5	12.9	7.6	5.3	15.0	21.7	-6.8
Gross margin (%) *	28.1	27.3	0.9	27.4	27.6	-0.2	27.8	28.1	-0.3
SG&A to sales (%) *	20.7	19.3	1.5	20.3	20.0	0.3	20.2	19.0	1.1

Remark: * = change in ppt

Source: Company data and KS Research

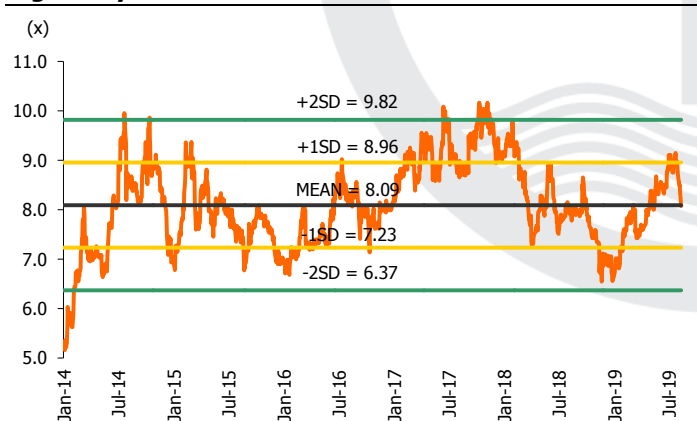


Fig. 3 Planned condominium transfers in 2H19

Project name	Value (Btmn.)	% sold	Transfer
1 Taka Haus	2,000	94%	3Q19
2 Dcondo Had Yai	800	90%	3Q19
3 The Line Sukhumvit 101	4,700	66%	4Q19
4 The Line Phahol Pradipat	5,900	67%	4Q19
5 The Base Phetkasem	2,000	74%	4Q19
6 The Base Sukhumvit 50	1,600	27%	4Q19
7 The Monument Thonglor	6,300	20%	4Q19
8 Khun by U	4,000	50%	4Q19
9 Lacasita Hua Hin	2,400	87%	4Q19
Total	29,700	57%	

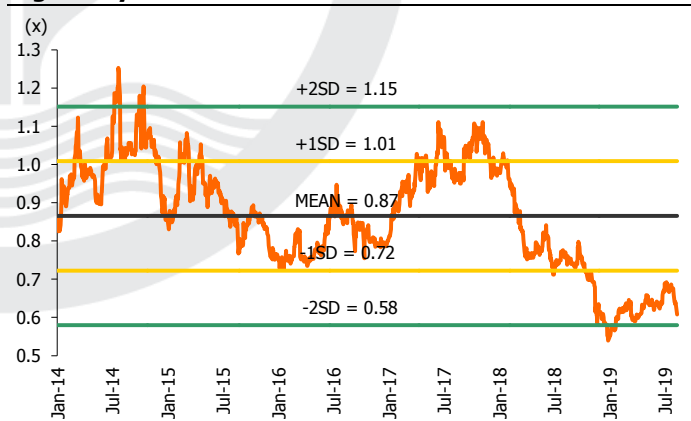
Source: Company data and KS Research

Fig. 4 5-year 12M Fwd PER



Source: Bloomberg and KS Research

Fig. 5 5-year 12M Fwd PBV



Source: Bloomberg and KS Research


Year-end 31 Dec

Income Statement (Btmn)	2017A	2018A	2019E	2020E	2021E
Revenue	30,829	26,246	25,607	28,910	33,242
Cost of sales and services	-21,244	-18,577	-18,407	-21,002	-24,003
Gross Profit	9,585	7,669	7,201	7,909	9,239
SG&A	-6,103	-5,555	-5,308	-5,878	-6,701
Other income	588	792	955	1,058	1,105
EBIT	4,011	3,145	3,294	3,720	4,109
EBITDA	4,326	3,216	3,214	3,468	4,016
Interest expense	-411	-570	-701	-732	-795
Equity earnings	26	444	657	759	521
EBT	3,601	2,576	2,593	2,989	3,314
Income tax	-819	-533	-509	-613	-680
NPAT	2,782	2,042	2,084	2,376	2,634
Minority Interest	43	4	1	0	0
Core Profit	2,961	2,271	2,297	2,504	2,689
Extraordinary items	-136	-225	-212	-128	-55
FX gain (loss)	0	0	0	0	0
Reported net profit	2,825	2,046	2,085	2,376	2,634

Balance Sheet (Btmn)

Cash & equivalents	2,978	3,933	2,561	2,891	3,324
ST investments	973	2,369	640	723	831
Accounts receivable	157	122	128	145	166
Inventories	44,740	57,846	65,871	66,368	67,531
Other current assets	5,585	6,473	5,389	5,520	5,694
Total current assets	54,433	70,742	74,590	75,646	77,547
Investment in subs & others	547	726	256	289	332
Fixed assets-net	17,803	16,048	17,449	18,291	20,481
Other assets	7,559	7,841	9,987	11,275	12,965
Total assets	80,341	95,357	102,282	105,502	111,325
Short-term debt	21,540	18,635	19,995	21,055	23,055
Accounts payable	1,563	1,676	1,280	1,446	1,662
Other current liabilities	7,396	8,815	6,876	7,762	8,926
Total current liabilities	30,500	29,125	28,151	30,263	33,643
Long-term debt	17,186	29,544	41,209	41,580	42,946
Other liabilities	1,736	5,835	1,398	1,580	1,820
Total liabilities	49,422	64,504	70,758	73,423	78,408
Paid-up capital	15,903	15,903	15,903	15,903	15,903
Share premium	2,296	2,296	2,296	2,296	2,296
Reserves & others, net	1,298	1,348	1,763	1,763	1,763
Retained earnings	11,452	11,301	11,560	12,115	12,953
Minority interests	-29	4	2	2	2
Total shareholders' equity	30,919	30,852	31,523	32,079	32,916
Total equity & liabilities	80,341	95,357	102,282	105,502	111,325

Key Assumptions

New launch (Btmn)	37,239	65,020	37,146	41,583	49,583
Pre-sales	38,565	48,344	29,057	35,163	42,877
Revenue growth (%)	-8.67	-14.87	-2.43	12.90	14.98
Gross margin (%)	31.09	29.22	28.12	27.36	27.79
SG&A to sales (%)	19.80	21.17	20.73	20.33	20.16

Cashflow (Btmn)	2017A	2018A	2019E	2020E	2021E
Net profit	2,782	2,042	2,084	2,376	2,634
Depreciation & amortization	256	310	366	379	373
Change in working capital	-19,092	-10,630	-13,486	409	22
Others	17,991	-240	-446	-631	-466
CF from operation activities	1,936	-8,517	-11,483	2,532	2,563
Capital expenditure	-202	-459	-1,454	-137	-333
Investment in subs and affiliates	-86	-179	470	-33	-43
Others	-3,733	-432	-518	-1,643	-3,323
CF from investing activities	-4,021	-1,070	-1,502	-1,812	-3,700
Cash dividend	-1,857	-1,634	-1,767	-1,820	-1,796
Net proceeds from debt	1,932	12,652	13,025	1,430	3,366
Capital raising	1,443	-392	392	0	0
Others	3	341	-2	0	0
CF from financing activities	1,522	10,967	11,647	-390	1,570
Net change in cash	-563	1,379	-1,337	330	433

Key Statistics & Ratios
Per share (Bt)

Reported EPS	0.19	0.14	0.14	0.16	0.18
Core EPS	0.20	0.16	0.15	0.17	0.18
DPS	0.12	0.12	0.12	0.12	0.12
BV	2.08	2.13	2.12	2.16	2.21
EV	4.52	4.07	5.28	5.35	5.54
Free Cash Flow	0.12	-0.62	-0.87	0.16	0.15

Valuation analysis

Reported P/E (x)	11.47	8.35	9.84	8.63	7.79
Core P/E (x)	10.94	7.52	8.93	8.19	7.63
P/BV (x)	1.05	0.55	0.65	0.64	0.62
EV/EBITDA (x)	15.52	18.33	24.43	22.93	20.51
Price/Cash flow (x)	16.73	-2.00	-1.79	8.10	8.00
Dividend yield (%)	5.41	10.17	8.74	8.73	8.70

Profitability ratios

Gross margin (%)	31.09	29.22	28.12	27.36	27.79
EBITDA margin (%)	14.03	12.25	12.55	12.00	12.08
EBIT margin (%)	13.01	11.98	12.86	12.87	12.36
Net profit margin (%)	9.02	7.78	8.14	8.22	7.92
ROA (%)	3.63	2.32	2.11	2.29	2.43
ROE (%)	9.57	6.62	6.69	7.47	8.11

Liquidity ratios

Current ratio (x)	1.78	2.43	2.65	2.50	2.31
Quick ratio (x)	0.13	0.22	0.12	0.12	0.13

Leverage Ratios

Liabilities/Equity ratio (x)	1.60	2.09	2.24	2.29	2.38
Net debt/EBITDA (x)	8.04	13.02	18.05	17.02	15.40
Net debt/equity (x)	1.12	1.36	1.84	1.84	1.88
Int. coverage ratio (x)	9.77	5.52	4.70	5.08	5.17

Growth

Revenue (%)	-8.67	-14.87	-2.43	12.90	14.98
EBITDA (%)	-16.28	-25.67	-0.06	7.93	15.80
Reported net profit (%)	-16.44	-27.57	1.89	13.95	10.87
Reported EPS (%)	-19.68	-25.61	-0.79	13.95	10.87
Core profit (%)	-10.34	-23.29	1.13	9.00	7.40
Core EPS (%)	-13.82	-21.21	-1.54	9.00	7.40

Source: Company, KS estimate



Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject security(ies) and subject company(ies); and no part of the compensation of the research analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

Investment Ratings

Outperform : Expected total return of 10% or more within a 12-month period
Neutral : Expected total return between -10% and 10% within a 12-month period
Underperform : Expected total return of -10% or worse within a 12-month period

General Disclaimer

This document is prepared by Kasikorn Securities Public Company Limited (“KS”). This document has been prepared for individual clients of KS only and must not, either in whole or in part, be copied, photocopied or duplicated in any form or by any means or distributed to any other person. If you are not the intended recipient you must not use or disclose the information in this research in any way. If you received it in error, please immediately notify KS by return e-mail and delete the document. We do not guarantee the integrity of any e-mails or attached files and are not responsible for any changes made to them by any other person.

This document, including information, data, statements, forecasts, analysis and projections contained herein, including any expression of opinion, is based on public available information or information obtained from sources believed to be reliable, but KS does not make any representation or warranty on, assumes no responsibilities for nor guarantees the accuracy, completeness, correctness or timeliness of such information. KS accepts no obligation to correct or update the information or opinions in it. The statements or expressions of opinion herein were arrived at after due and careful consideration and they were based upon such information or sources then, and in our opinion are fair and reasonable in the circumstances prevailing at the time. The information or expressions of opinion contained herein are subject to change without notice.

Nothing in this document shall be construed as an offer or a solicitation of an offer to buy or sell any securities or products, or to engage in or refrain from engaging in any transaction. In preparing this document, KS did not take into account your specific investment objectives, financial situation or particular needs. This document is for your information only and is not to be taken in substitution for the exercise of your judgment. KS salespeople, traders and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions which are contrary to the opinions expressed in this document. Before making an investment decision on the basis of this document, you should obtain independent financial, legal or other advice and consider the appropriateness of investment in light of your particular investment needs, objectives and financial circumstances. There are risks involved in the investment in securities. KS accepts no liability whatsoever for any direct, indirect, consequential or other loss (including claim for loss of profit) arising from any use of or reliance upon this document and/or further communication given in relation to this document.

Any valuations, opinions, estimates, forecasts, projections, ratings or risk assessments herein constitute a judgment as of the date of this document, and there can be no assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, projections, ratings or risk assessments. Any valuations, opinions, estimates, forecasts, projections, ratings or risk assessments described in this document were based upon a number of estimates and assumptions and are inherently subject to significant uncertainties or contingencies. It can be expected that one or more of the estimates on which the valuations, opinions, estimates, forecasts, projections, ratings or risk assessments were based will not materialize or will vary significantly from actual results. Therefore, the inclusion of the valuations, opinions, estimates, forecasts, projections, ratings or risk assessments described herein is not to be relied upon as a representation and/or warranty by KS (i) that such valuations, opinions, estimates, forecasts, projections, ratings or risk assessments or their underlying assumptions will be achieved, or (ii) that there is an assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, projections, ratings or risk assessments stated therein.

KS along with its affiliates and/or persons associated with it may from time to time have interests in the securities mentioned in this document. KS and its associates, their directors and/or employees may have positions in, and may effect transactions in securities mentioned herein and may also perform or seek to perform broking, investment banking, advisory and other securities services for companies mentioned in this document.

Corporate Governance Report Disclaimer

The disclosure of the survey result of the Thai Institute of Directors Association (“IOD”) regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of companies listed on the Stock Exchange of Thailand and the Market of Alternative Investment disclosed to the public and able to be accessed by a general public investor at <http://www.thai-iod.com/en/publications-detail.asp?id=170>. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the data appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. KS does not confirm nor certify the accuracy of such survey result.

Structured Notes and Derivative Warrants Disclaimer

KS may be the issuer of structured notes on these securities.

KS acts as market maker and issuer of Derivative Warrants (“DWs”) on the underlying stocks listed below. Investors should carefully read the details of the DWs in the prospectus before making any investment decisions.

DWs Underlying Stocks: AAV, ADVANC, AMATA, AOT, AP, BANPU, BBL, BCH, BCP, BCPG, BDMS, BEAUTY, BEM, BGRIM, BH, BJC, BLA, BPP, BTS, CBG, CENTEL, CHG, CK, CKP, COM7, CPALL, CPF, CPN, DTAC, EA, ERW, ESSO, GLOBAL, GPSC, GULF, GUNKUL, HANA, HMPRO, INTUCH, IRPC, IVL, KCE, KKP, KTB, KTC, LH, MEGA, MINT, MTC, ORI, OSP, PTG, PTT, PTTEP, PTTGC, QH, ROBINS, RS, SAWAD, SCB, SCC, SGP, SIRI, SPALI, SPRC, STA, STEC, TASCO, TCAP, THAI, TISCO, TOA, TOP, TPIPL, TRUE, TU, TVO, and WHA